Annual Report

Workplace Health, Safety and Compensation Commission

2002

WORKPLACE HEALTH, SAFETY & COMPENSATION COMMISSION
WHSCC

Newfoundland and Labrador

Letter to the Minister

May 9, 2003

The Honourable Percy Barrett
Minister of Labour

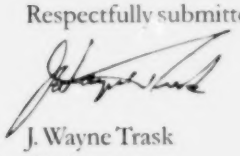
Dear Minister Barrett:

In compliance with Section 12(1) of the *Workplace Health, Safety and Compensation Act*, I am pleased to submit the Annual Report of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador for the year ended December 31, 2002.

The report presents information on the Commission's transactions for the 2002 calendar year, including the new balanced scorecard report and audited financial statements.

I commend the report for your review.

Respectfully submitted,



J. Wayne Trask
Chairperson
On behalf of the Board of Directors

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Report of the Chairperson and Chief Executive Officer

Ann Marie Hann, Chief Executive Officer and J. Wayne Trask, Board Chairperson

It has been two years since we implemented major changes to the workers' compensation system in Newfoundland and Labrador. During the Task Force consultation process, stakeholders were clear: they wanted a workers' compensation insurance system that was fair, affordable and sustainable. The overall results we present in the *Balanced Scorecard* pages of this Annual Report indicate that everyone's involvement has made a difference – a change in mindset is happening, but stakeholders must be prepared to continue to keep the system on track.

Staying on track

The amount of time, effort, and work invested by all stakeholders to make the necessary changes to the workers' compensation system has been nothing short of phenomenal. We knew that developing and implementing a new system would be challenging for everyone. It would have been much harder to address this report had we not been able to sustain the improvements realized in 2001. Obviously, all players have risen to the challenge set by the Task Force Report and have made a conscious effort and commitment to ensure the plan we developed together continues to move forward. When one considers where the system was two years ago – "a system in crisis requiring immediate and decisive action" (Task Force Report, 2001) – and what has been accomplished to date to remedy that crisis, it is clear that everyone involved is starting to do their part.

Stakeholder involvement and input is paramount in seeing plans through from start to finish. We consulted and worked with stakeholders on many initiatives which began in 2001 and carried into 2002, in the areas of occupational health and safety training, the new assessment rate model, and the early and safe return-to-work policies and procedures. Key stakeholders were also consulted during the development of a soon-to-be-released provincial accident

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prevention strategy, and inclusion of the construction industry under the early and safe return-to-work legislation. We continue to meet regularly with representatives of the Newfoundland and Labrador Medical Association. When people are involved throughout a process, they feel a sense of ownership and are prepared to make commitments to achieve agreed upon results. Furthermore, everyone can follow the road we have jointly mapped, know where it leads, and recognize what they have to do to "stay on track."

We have made great progress, but there is still much work to be done. Using the analogy of a critically ill emergency patient to describe the workers' compensation system, we have stopped the bleeding. The system is in intensive care, it is almost stabilized, but it also has to be monitored closely. With that said, we clearly recognize that a slip could easily send the system in a downward spin. We must sustain the gains we've made and continue with further improvements if we are to meet the goals and objectives outlined in our Five-Year (2002-2006) Strategic Plan. The first year's report card of our Strategic Plan is presented in the next section entitled *Balanced Scorecard Report*, which provides a graphical analysis of the Commission's goals and objectives, and what we have accomplished to date.

Because we implemented new programs and changed the way all of us involved with the system do business, we also needed to change the way the Commission reports to our stakeholders. During the Task Force Report, stakeholders recommended that the Commission review the Annual Report and consider more meaningful ways of reporting performance to the public. This Annual Report strives to do just that. It has been formatted to present information that's significant and easy to understand. Our new *Balanced Scorecard* section includes outcomes and key statistics and, we think, adds more meaningful and useful information that our stakeholders requested.

Highlights

The *Balanced Scorecard* clearly illustrates that the overall system has undergone changes for the better and that these changes have had a major impact on the entire workers' compensation system. The cost drivers of the past have taken a sharp turn and are moving in a positive direction. While the results are encouraging, we still have a long way to go before we can say the system is on sound footing. Sustaining these results will be a challenge for everyone.

We are pleased to report that over the last two years, the major fiscal and claims indicators have moved in a positive direction. Almost all areas have shown strong performance and some have even reported double-digit percentage improvements. A good example is the employer assessment rate. While the average

assessment rate charged to employers was held at $3.24 for the third straight year, the assessment rate needed to cover all costs has dropped from $3.98 in 2001 to $3.45 in 2002, for a decrease of 13%. This outcome is a testament to the hard work and commitment of our stakeholders and the Commission staff.

The Commission's internal operating costs increased $2.2 million in 2002. This investment was necessary to support the introduction of new occupational health and safety services and programs, and the new early and safe return-to-work and assessment models. In addition, investments were necessary in order for ongoing strategic initiatives to be able to support the Commission's Five-Year Strategic Plan. To improve and meet these strategic goals, work processes are continuously reviewed and streamlined, new business processes adopted, organizational infrastructure changes introduced, and new technology deployed.

Already, we are beginning to see our investments in 2001, and again in 2002, paying off. Over 8,000 occupational health and safety committees and worker representatives have been trained by trainers certified under Commission-approved standards and curriculum. About 2,000 return-to-work plans were developed in 2002, which translated into more injured workers returning to work safely and more quickly than before, with a reduction in claims costs of $27.3 million, and $45.4 million since 2000. Our operating position rose to a $17.4 million surplus from a deficit of $7.7 million in 2001, and our overall funding position improved to 71.7% from 67.5% in 2001 and 65.2% in 2000. The Commission will continue to apply due diligence in its expenditure decisions to ensure a fair return for the system overall.

Accountable and open

When we planted the seeds for change, we pledged to be an organization that was accountable, open, and transparent. Following the Task Force Report, we brought together representatives drawn from employers, labour, injured workers and health care professionals, and we continue to meet bi-annually with the round table participants, in order to listen to their concerns, to keep them informed of our progress, and to involve them in our processes. Active involvement and dialogue with all stakeholders has allowed much to be accomplished in a short time. Further discussions and involvement with our partners will, however, be necessary to accomplish the collective goal of establishing a fair, affordable, and sustainable insurance system. Consultation on major initiatives will continue to be the way the Commission does business.

We know that the positive results presented in this document are related to the fact that all partners are working together to do their part. Although we are on target – even ahead in some areas – there is still much work to be done and more improvements to be made in order for us to sustain these outcomes and to meet the goals and objectives outlined in our Five-Year Strategic Plan.

The accomplishments outlined in this Annual Report are a reflection of the dedication of workers and employers, health care providers, the Provincial Government, the Board of Directors, management, and staff of the Workplace Health, Safety and Compensation Commission, and other stakeholders. We will continue to work with our partners for healthier and safer workplaces for all Newfoundlanders and Labradorians.

J. Wayne Trask
Chairperson, Board of Directors

Ann Marie Hann
Chief Executive Officer

2002 Board of Directors

Back row standing (l-r): Kim Dunphy, Reg Anstey, Jack Stanley, Ann Marie Hann, Bernice Buckle, Donald Warr, Judy Vanta. Front row seated (l-r): Ches Foote, J. Wayne Trask, Richard Kelly, Michael J. Power (Missing from photo: Roger Flood).

Chairperson

J. Wayne Trask – third year
Residence – Corner Brook

- Corporate Ventures Incorporated Board
- Chairperson of the Newfoundland and Labrador Business Hall of Fame Committee
- Fellow of the Institute of Chartered Accountants of Newfoundland & Labrador
- Awarded Queen's Golden Jubilee Medal in 2002

Worker Representatives

Reg Anstey – fourth year
Residence – St. John's

- Secretary/Treasurer of the Fish Food and Allied Workers Union
- First Vice-President of the Newfoundland and Labrador Federation of Labour
- National Seafood Sector Council Board
- Offshore Fish Resource Harvester Incorporated Board
- One Ocean Board

Michael J. Power – second year
Residence – Mount Pearl

- President/Business Manager of Local 2351, International Brotherhood of Electrical Workers (IBEW) since 1977
- Chairperson of the Newfoundland and Labrador Construction Safety Association Board
- Labour Relations Board

Judy Vanta – fourth year
Residence – St. John's

- Past Vice-President of the Newfoundland and Labrador Federation of Labour
- Past Director of the Newfoundland and Labrador Association of Public and Private Employees

Employer Representatives

Bernice Buckle – fourth year
Residence – Corner Brook

- Western Regional Appeals Board
- Western Memorial Hospital Foundation
- Western Health Care Corporation Board
- Awarded Lions International "Melvina Jones Fellow" Life Member status by the Lions Foundation of Canada
- Awarded Queen's Golden Jubilee Medal in 2002

Roger Flood – third year
Residence – St. John's

- President, Day and Ross
- Member of the Canadian Chamber of Commerce
- Community Service Award of the Association of Professional Engineers and Geoscientists of Newfoundland in 1998
- Awarded Queen's Golden Jubilee Medal in 2002

Ches Foote – fifth year
Residence – Harbour Breton

- President, Trans Island Funeral Services Company Limited
- Associate of the Institute of Canadian Bankers
- Member of the Economic Development Committee and Treasurer of the Alternative Measures Program in Harbour Breton

Public Representatives

Donald Warr – third year
Residence – St. John's

- Chartered accountant and partner in the firm Blackwood and Warr
- Newfoundland Capital Corporation Board
- Marine Atlantic Board
- Fellow of the Institute of Chartered Accountants of Newfoundland and Labrador

Jack Stanley – first year
Residence – Grand Falls-Windsor

- Retired civil servant
- Provincial Apprenticeship and Certification Board
- Past Member, Grand Falls-Windsor Co-operative Society Board

Richard Kelly – third year
Residence – Mount Pearl

- Team Development Supervisor with Convergys Canada Incorporated
- Over 25 years' experience in banking, investment, finance, and business

Ex-Officio Representatives

Ann Marie Hann
Chief Executive Officer
Workplace Health, Safety and Compensation Commission

Kim Dunphy
Assistant Deputy Minister
Occupational Health and Safety
Department of Labour

Our Mission

Utilizing skilled, professional employees, in partnership with workplace parties, we will facilitate safe and healthy workplaces by assisting employers and workers to prevent accidents, and manage workplace injuries/illnesses and return-to-work processes.

Operating as the administrator of the workers' compensation insurance program, we will provide a reasonable level of benefits to injured workers and their dependents based on reasonable assessment rates for employers, while maintaining or exceeding service level performance when compared to other jurisdictions in Canada.

Balanced Scorecard Report

Our accountability measures for all to see

A balanced approach

The Commission has identified six key goal areas to improve the workers' compensation system, tied back to its Mission. We feel we must be successful in meeting the goals in all six areas if we are to meet the needs of all those who depend on the system. While some achievements have already been realized, we are still only at the beginning of a long road to achieving a fair, affordable, and sustainable insurance system.

Goal Areas:

A – Prevention Focus Achieving Results

Our key intent is to reduce the incidence of injury and illness in the workplace by working with employers and workers in accident and illness prevention.

B – Injured Workers and Employers Better Served

The challenge to provide high quality service to injured workers and employers is a top priority.

C – Financially Secure

Financial health is recognized as imperative for the survival of the system.

D – Stakeholders Sharing Responsibility for Changes

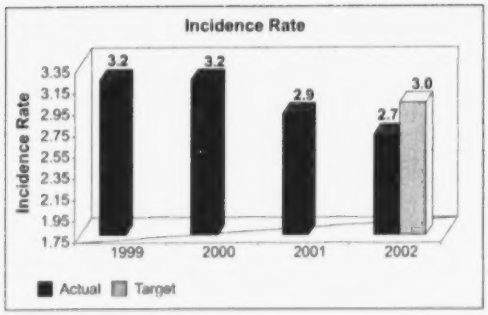
The workers' compensation system is a partnership with employers, labour, injured workers, health care providers, the Provincial Government and the Commission. We must all do our part for the system to work for everyone having dealings with it.

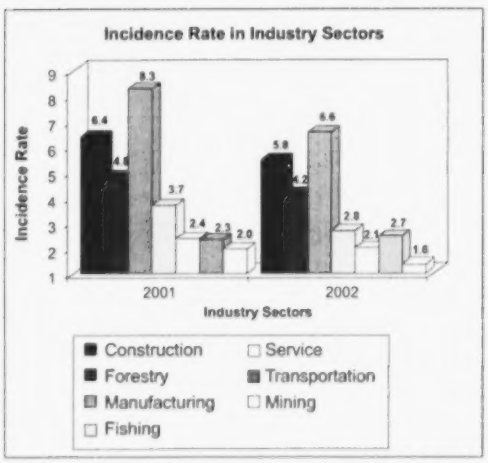
E – Commission Operating More Efficiently

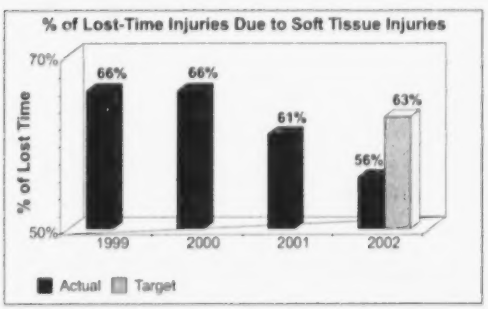
The Commission is focused on improvements in various operational areas and will monitor its progress relative to others utilizing a consistent set of measures.

F – Knowledgeable Employees Satisfied and Retained

The Commission will train and support professional development for its employees, who will be encouraged to use their knowledge to promote continuous service improvement and positive change.







A: Prevention Focus Achieving Results

Goal A1 – To work with the Department of Labour to reduce the incidence rate by 20% by 2006. [**Note:** The incidence rate is the number of lost-time claims per 100 people employed.]

- The number of new lost-time injuries for 2002 is 5,499, down 633 or 10% from 2001, and 1,042 or 16% from 2000.
- The number of health care only claims for 2002 is 4,486, down 546 or 11% from 2001, and 1,820 or 29% from 2000.
- The overall incidence rate has decreased 16% over the last two years.
- While fatality statistics remain high, over the past three years fatalities declined 39%.

Goal A2 – To work with the Department of Labour to reduce the average incidence rate in the major industry sectors by a total of 25%.

- Through the Commission's Industry Champion Model, health and safety advisors are now assigned to work with industries to address their priority areas of concern in accident/incident prevention.
- The Commission's Priority Employer Program, geared towards employers with high accident rates, has resulted in these firms reducing their number of lost-time claims by 16.6% in 2002. The Department of Labour targets the same firms for strategic inspections.

Goal A3 – To work with the Department of Labour to reduce soft-tissue injuries as a percentage of lost-time injuries to 55% by 2006.

- The Commission's ergonomists assist employers to address soft-tissue injuries.

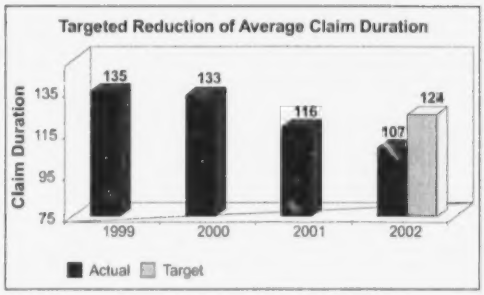
Goal A4 – To finalize and implement a provincial accident prevention strategy.

- A provincial Accident Prevention Strategy will be released during the summer of 2003.

B: Injured Workers and Employers Better Served

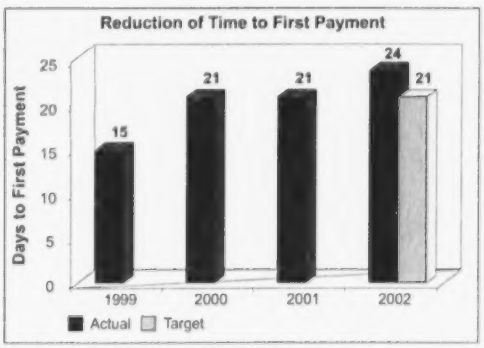
Goal B1 – To reduce the average duration of claims to 95 days by 2006.

- The implementation of a new early and safe return-to-work model, including extensive staff training on new policies and procedures, resulted in a decrease in claims duration of 9 days or 8% since 2001 and 26 days or 20% since 2000.
- A Memorandum of Agreement signed with the Newfoundland and Labrador Medical Association defines the physician's role in the early and safe return-to-work model. A new physician Form 8/10 was also developed which provides the worker's functional abilities information directly to the workplace parties for early and safe return-to-work planning.
- The Newfoundland and Labrador Federation of Labour offered a comprehensive early and safe return-to-work training program, to assist workers and employers with their new legislated obligations.



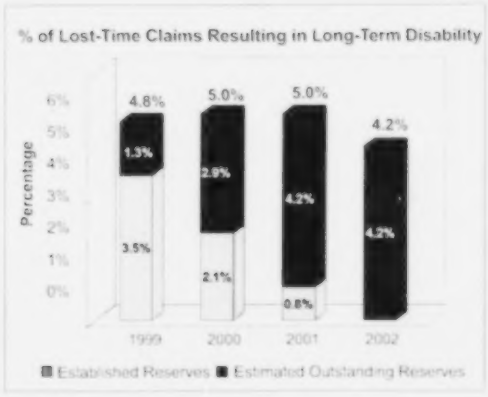
Goal B2 – To reduce the time to first payment to 14 days by 2006.

- Time to first payment is measured from when the Commission receives the first report of an injury. In 2002, the Commission began requiring all three reports of an injury – doctor's report, employer's report and worker's report – in order to adjudicate a claim for compensation. While the first report was received earlier in 2002 as a result of reporting improvements, it took an average of 10 days for all three reports to be submitted.
- In 2002, 83.9% of claimants received their first cheque in 21 days or less.



Goal B3 – To increase the percentage of workers in the labour market re-entry program as of November 1, 2001 who have completed their plan or are continuing their original labour market re-entry plan to 98% by 2006.

- For 2002, 96% of workers completed, or are continuing, their original labour market re-entry plan, surpassing the target of 90% originally set for the year.

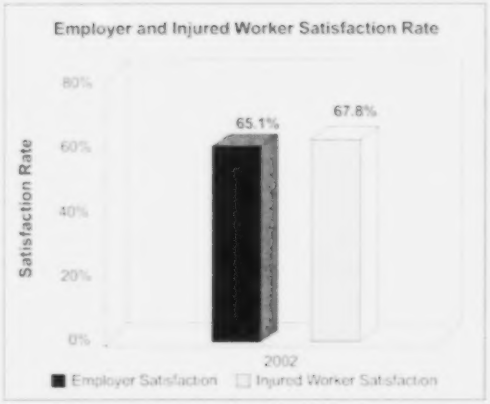


Goal B4 – To decrease the percentage of lost-time claims per accident year resulting in long-term disability/extended earnings loss award to 3.5% by 2006.

- Workers are now fully involved in the labour market re-entry process and have more say in the three options that are now developed jointly with the Labour Market Re-entry provider, the case manager, the employer, and the health care provider (as required). This involvement contributes to a decrease in the percentage of lost-time claims going on to long-term disability.

Goal B5 – To reduce the average cost of per long-term disability/extended earnings loss award (EEL) by restoring injured worker's pre-injury earnings capacity.

- The average EEL award in 2002 was $100,000, down from $105,000 in 2001.

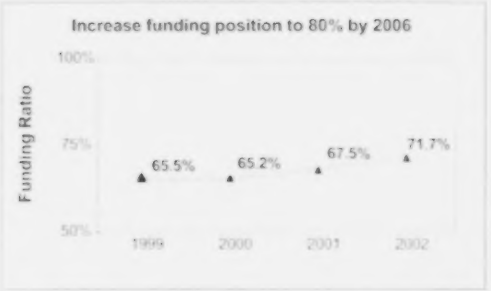


Goal B6 – To increase the average satisfaction level for injured workers to 85% by 2006.

- The overall injured worker satisfaction rate is 67.8%, based on the 2002 injured worker survey.

Goal B7 – To increase the average satisfaction level for employers to 85% by 2006.

- The overall employer satisfaction rate is 65.1%, based on the 2002 employer survey.



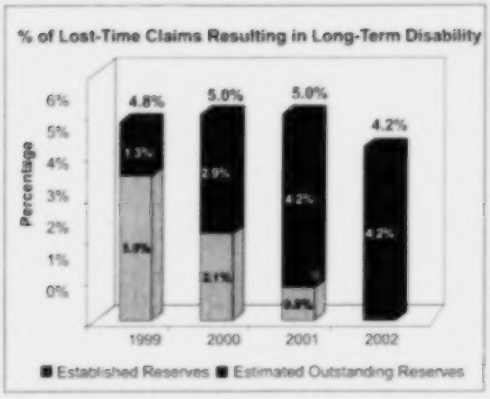
C: Financially Secure

Goal C1 – To increase the system's overall funding position to 80% by 2006.

- Claims costs for 2002 have decreased by $27.3 million from 2001 and $45.4 million from 2000.
- Assessment revenue increased by 13.4% due to higher than anticipated payroll in several industry sectors and increased collections/auditing efforts by Commission staff.
- The Commission's collections procedures for outstanding assessments have resulted in 0.3% bad debts written-off as a percentage of total assessments collected; the lowest in 10 years.

Goal C2 – To ensure all industry groups are assessed their fair share of system costs by 2006.

- The new assessment model implemented in 2002 ensures rates for employers are more responsive to



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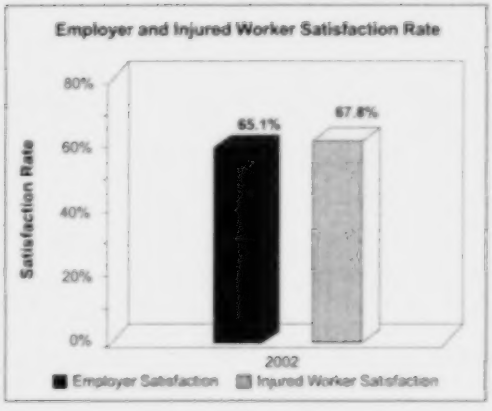

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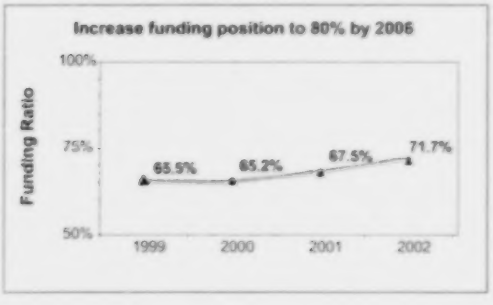

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Goal C2 – To ensure all industry groups are assessed their fair share of system costs by 2006.

- The new assessment model implemented in 2002 ensures rates for employers are more responsive to

actual injury costs and the phased-in period of five years gives employers an opportunity to influence their rates through prevention and early and safe return-to-work programs.

- In 2002, 21% of employers paid their full and fair share of assessments. This increased to 60% in 2003. As well in 2003, 46% of employers experienced a decrease in their base rates.

Goal C3 – To reduce the competitive variance in the average "required" assessment rate when compared to the other Atlantic provinces.

- For 2002, employers in Newfoundland and Labrador paid average assessment rates 45% above the Atlantic average, down 6% from 2001 and 15% from 2000.
- The Commission opted to hold the average assessment rate at $3.24 for the third straight year, despite costs for 2002 requiring a $3.45 rate (down from $4.00 in 2000). As opposed to increasing rates, the approach taken was to get costs under control through prevention and early and safe return-to-work programs.

Goal C4 – To maintain a competitive long-term income replacement rate variance when compared to the other Atlantic provinces.

- The long-term income replacement rate paid to injured workers in this province remains 6% below the Atlantic average.

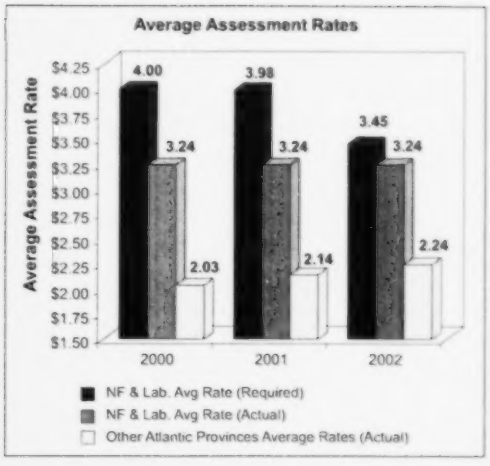
Goal C5 – To generate long-term investment returns that exceed the moving four-year average return on established benchmarks.

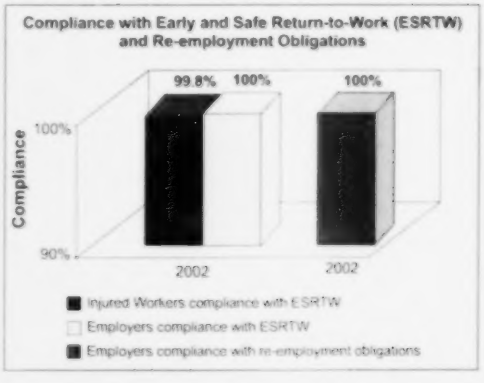
- While the Commission's investments return exceeded the benchmark, this return generated $17 million less in investment income in 2002 compared to 2001.

D: Stakeholders Sharing Responsibility for Changes

Goal D1 – To attain full employer and injured worker compliance with early and safe return-to-work (duty to co-operate).

- There has been almost 100% compliance from employers and injured workers with the new early and safe return-to-work model.
- Early and safe return-to-work and re-employment obligations have resulted in workers and employers

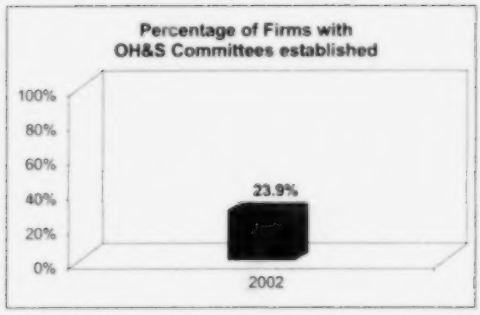


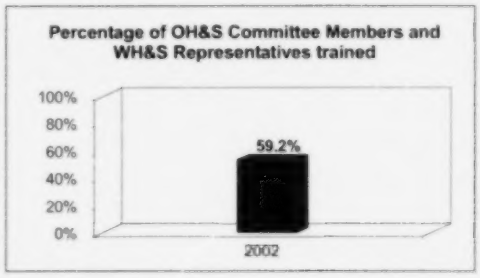


communicating more and striving to safely return workers to their pre-injury jobs.

Goal D2 – To attain full employer compliance with re-employment obligations.

- We have seen good results where employers and workers are managing return-to-work plans; over 2,000 return-to-work plans have been completed.





Goal D3 – To work with the Department of Labour to increase employer compliance with health and safety legislation regarding the establishment of occupational health and safety committees and worker health and safety representatives and related training.

- Approximately 8,000 people completed occupational health and safety committee or worker health and safety representative training by the end of 2002.
- In 2002, there were 964 active occupational health and safety committees registered with the Commission, an increase of 23.7% over 2001 (779 committees). Overall, 23.9% of firms had met their legislative obligations respecting occupational health and safe committees by the end of 2002.
- A province-wide network of 200 private health and safety trainers was established and certified by the Commission using Commission-approved curriculum.

Goal D4 – To enhance the role of health care service providers in the management of workplace injuries.

- Physicians are participating in the system. We implemented the first-ever agreement between the Commission and the Newfoundland and Labrador Medical Association, which outlines the roles and expectations of physicians in the early and safe return-to-work process. The Medical Association also worked with the Commission to develop guidelines for the treatment of soft-tissue injuries.
- Health care providers also participated in several multi-stakeholder consultation sessions on policy and procedural issues, such as development of a revised Form 8/10 physician reporting form.
- We implemented an online prescription drug program so injured workers will receive, in timely fashion, the medications to which they are entitled to assist in their recovery and return-to-work.

- The Commission and the Faculty of Medicine at Memorial University of Newfoundland and Labrador are working to expand the Faculty's occupational medicine curriculum.

E: Commission Operating More Efficiently

Goal E1 – To use at the Commission the most appropriate and current technologies to enable staff and stakeholders to achieve their business needs effectively.

and

Goal E2 – To improve internal procedures for processing and accessing information.

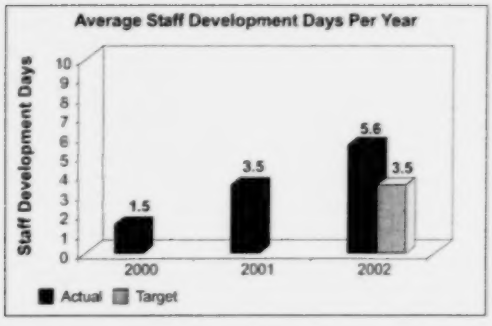
- The Commission initiated several independent reviews of its operations to identify operational efficiencies, including: a high-level review of all major business processes; and detailed reviews of medical aid, document management, and data quality and reporting functions.
- We developed a prevention services information system to provide an integrated network of compliance and injury information. The system is comprised of four components: a central registry of occupational health and safety trainers, a training evaluation system, an occupational health and safety committee tracking system, and an audit tracking system.
- A new governance and project management model was implemented to guide the Commission's work on corporate projects.
- The Commission's Internal Review Division is fully meeting its legislated 45-day timeline for internal review decisions.

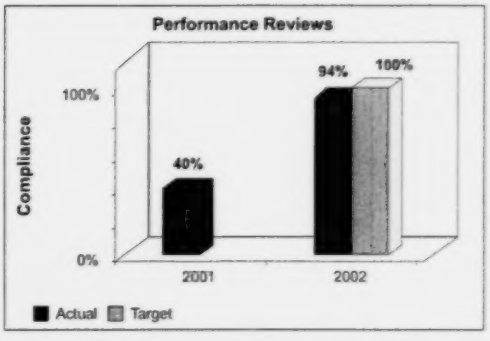
Goal E3 – To enhance internal controls through the implementation of internal audit recommendations.

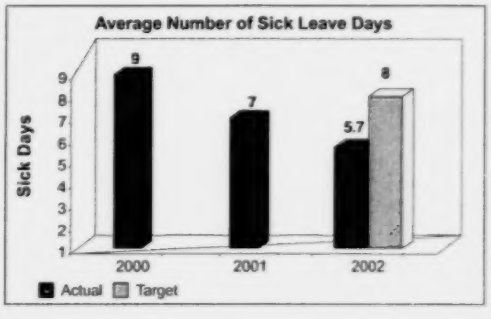
- Internal Audit reports are being implemented.

Goal E4 – To ensure policies and procedures are current and effective.

- There was a slight decrease in the percentage of Commission decisions overturned at the Workplace Health, Safety and Compensation Review Division, from 24% in 2001 to 23% in 2002.







F: Knowledgeable Employees Satisfied and Retained

Goal F1 – To ensure staff development averages four days per employee by 2004.

- An extensive in-house training program was developed for staff of the Commission. The actual number of training days per employee was 5.6 days on average in 2002.

Goal F2 – To increase employee satisfaction.

- An employee opinion survey conducted in 2002 showed a satisfaction level of 58.5%.
- We developed a four-year Human Resources Strategic Plan to address staff needs in training, professional development, and related areas.

Goal F3 – To complete performance reviews and development plans annually.

- At the Commission, 94% of staff participated in performance reviews and 78% have some form of training plan developed.

Goal F4 – To ensure leadership development and career pathing is effective.

- An employee opinion survey conducted in 2002 showed that 66.3% of staff are satisfied with their leadership development and career pathing opportunities.

Goal F5 – To reduce the average number of sick leave days to 6.5 by 2006.

- Commission staff averaged 5.7 sick leave days in 2002.

Conclusion

The Commission, working with its partners, has met – and surpassed – many of its targets for 2002. We recognize, however, we still have much work to do. We must all "stay on track" if the long-term sustainability of the changes we have made are to be realized.

2002 Financial Statements

Management Responsibility for Financial Reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this Annual Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors has reviewed the financial statements and other financial information included in this Annual Report.

The Board of Directors is assisted in its responsibilities by its Finance and Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, the Internal Auditor, external auditors and actuaries concerning internal controls and all other matters relating to financial reporting, and recommends the appointment of external auditors and actuaries.

The firm of Morneau Sobeco has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on a periodic basis not to exceed two years and to report thereon in accordance with generally accepted actuarial principles. Such a valuation was performed as at December 31, 2002.

Deloitte & Touche LLP, the external auditors of the Commission, have performed an independent audit of the financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Ann Marie Hann
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

Actuarial Statement of Opinion

With respect to the *Workplace Health, Safety and Compensation Act* of Newfoundland and Labrador, I state that in my opinion:

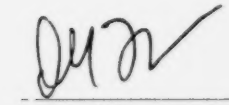
1. The total benefit liabilities as at December 31, 2002 for benefit payments of all types expected to be made after December 31, 2002 (including capitalized awards and the effect of future indexing) in respect of accidents of 2002 and prior years amount to $620,825,000 for assessed employers. Self-insured employers and future administration expenses on existing claims were not included in this valuation.

2. The data on which the valuation is based was provided by the Commission in accordance with detailed specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data is sufficiently reliable to permit a realistic valuation of the liabilities of the Commission as described above.

3. The actuarial assumptions adopted in computing the foregoing liabilities are adequate and appropriate, and the methods employed are in accordance with accepted actuarial practice. The economic assumptions adopted for purposes of computing the above-noted liabilities are consistent with the basis of asset valuation adopted by the Commission. The discount rate used is 7.12% per annum for non-indexed benefits. For indexed benefits, a net discount rate of 5.33% was used for the first year, and 3.50% per annum thereafter.

4. The valuation report has been prepared and my opinion has been given in accordance with accepted actuarial practices.

Details of the data, actuarial assumptions and valuation methods are set out in the actuarial valuation report as at December 31, 2002, of which this certificate forms part.



Conrad Ferguson, F.S.A., F.C.I.A.
Partner, Morneau Sobeco

April 14, 2003

Date

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Auditors' Report

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission
of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2002 and the statements of operations, unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador
March 7, 2003

Deloitte & Touche LLP
Chartered Accountants

Statement of Financial Position

As At December 31

(dollars in thousands)	2002	2001
Assets		
Cash and cash equivalents (Note 3)	**$ 25,024**	$ 16,764
Receivables (Note 4)	**13,990**	12,741
Investments (Note 5)	**402,968**	375,413
Capital assets (Note 7)	**9,728**	10,261
	$ 451,710	$ 415,179
Liabilities and Net Fund Deficiency		
Payables and accruals	**$ 8,465**	$ 8,264
Benefit liabilities (Note 8)	**620,825**	601,917
Total liabilities	**629,290**	610,181
Reserves (Note 11)	**1,000**	5,000
Unfunded liability	**(178,580)**	(200,002)
Net fund deficiency	**(177,580)**	(195,002)
	$ 451,710	$ 415,179

Commitments (Note 19)

Contingencies (Note 20)

On behalf of the Commission

J. Wayne Trask
Board Chairperson

Ches Foote
Director

The accompanying notes are an integral part of the financial statements.

Statement of Operations

Years ended December 31

(dollars in thousands)	2002	2001
Revenue		
Assessments	**$ 155,835**	$ 137,445
Investment income	**12,049**	29,226
	167,884	166,671
Expenses		
Claims costs incurred		
Short-term disability	**32,002**	35,281
Long-term disability	**63,555**	63,652
Survivor benefits	**5,890**	6,403
Health care	**33,498**	35,415
Rehabilitation	**1,787**	1,614
	136,732	142,365
Administration (Note 12)	**20,128**	18,252
Legislated obligations (Note 14)	**5,106**	4,629
Amortization	**2,680**	2,724
Other (Note 15)	**2,210**	1,121
	166,856	169,091
Surplus (deficiency) from operations	**1,028**	(2,420)
Actuarial adjustments	**16,421**	(5,283)
Surplus (deficiency) for the year	**$ 17,449**	$ (7,703)

The accompanying notes are an integral part of the financial statements.

Statement of Unfunded Liability

Years ended December 31

(dollars in thousands)	2002	2001
Unfunded liability, beginning of year	**$ (200,002)**	$ (202,272)
Surplus (deficiency) for the year	**17,449**	(7,703)
	(182,553)	(209,975)
Transfer from Occupational Health and Safety Research reserve (Note 11)	**4,000**	-
Appropriation to reserve fund	**(27)**	(27)
Transfer from Disaster reserve (Note 11)	**-**	10,000
Unfunded liability, end of year	**$ (178,580)**	$ (200,002)

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Years ended December 31

(dollars in thousands)	2002	2001
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 154,604**	$ 135,608
Investment income	**17,571**	12,026
	172,175	147,634
Cash paid to:		
Claimants or third parties on their behalf	**(101,403)**	(104,935)
Suppliers and employees, for administrative and other goods and services	**(27,261)**	(22,220)
Third party, from reserve fund	**(27)**	(27)
	(128,691)	(127,182)
Net cash provided from operating activities	**43,484**	20,452
Cash flow from investing activities		
Purchase of investments	**(33,077)**	(12,051)
Purchase of capital assets	**(2,147)**	(2,690)
Net cash used for investing activities	**(35,224)**	(14,741)
Net increase in cash and cash equivalents	**8,260**	5,711
Cash and cash equivalents		
Beginning of year	**16,764**	11,053
End of year	**$ 25,024**	$ 16,764

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Years ended December 31, 2002 and 2001

1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (the Act)*. The Commission is responsible, in accordance with the provisions of the Act, for preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workers' Compensation Review Division is established under the Act to make rulings on any appeals pertaining to the Commission's assessments or benefits decisions. The Commission does not receive government funding or other assistance.

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's Insurance Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

An amended *Act* received Royal Assent on May 24, 2001. The amendments contained a number of provisions, including:

- provision of a comprehensive program for the early and safe return-to-work of injured workers. This program sets out obligations of co-operation on workers and employers in the return-to-work process and puts a duty on larger employers to accommodate and re-employ injured workers in the workplace;
- proportionate compensation where there are pre-existing or other than work-related causes for loss of earnings or impairment;
- additional payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985;
- elimination of the minimum weekly compensation for injured workers and to provide for transition for workers in receipt of the minimum compensation; and
- increase in penalties to employers for violation of provisions in *the Act*.

Amendments to the *Occupational Health and Safety Act* received Royal Assent on May 24, 2001. These amendments contained a number of provisions including requirements for:

- training for occupational health and safety committees and worker health and safety representatives;
- occupational health and safety programs for workplaces with 10 or more workers; and
- occupational health and safety policies for workplaces with less than 10 workers.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments in money market instruments with maturities of three months or less.

Assessments receivable

At the beginning of each year, an assessment is levied on employers by applying industry assessment rates to their estimated payroll. Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

Investments

Fixed term investments are recorded using the amortized cost method, which amortizes premiums and discounts arising on fixed term purchases over the periods to maturity of these investments. Gains or losses realized on the disposal of fixed term investments are amortized on a straight-line basis over a five-year period, which approximates the period to maturity.

Equity investments are stated at moving average market value. Unrealized gains and losses occurring during the year, together with gains and losses realized on the disposal of equity investments, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write-down included in income in the year in which it occurs.

Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Systems development	1 to 5 years
Equipment under capital lease	3 to 5 years

Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated, nor for future processing expenses of existing claims.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Reserves

In accordance with Section 20.5 (1) of *the Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. *The Act* requires that the Commission allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of *the Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Cash and cash equivalents

(dollars in thousands)	2002	2001
Money market instruments	**$ 20,655**	$ -
Bank balances	**2,288**	14,679
Cheques issued and outstanding	**2,081**	2,085
	$ 25,024	$ 16,764

The Commission has established an operating line of credit with its banker in the amount of $2,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.60%. The credit facility is unsecured and was not utilized during 2002.

4. Receivables

(dollars in thousands)	2002	2001
Assessments	**$ 4,671**	$ 4,845
Accrued assessments	**7,000**	6,000
Other	**2,319**	1,896
	$ 13,990	$ 12,741

5. Investments

(dollars in thousands)	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed term	$ 151,166	$ 157,558	$ 144,779	$ 148,889
Equities	263,075	242,294	243,183	256,182
Accrued interest	1,804	1,804	1,516	1,516
	416,045	401,656	389,478	406,587
Deferred investment losses	(13,077)	-	(14,065)	-
	$ 402,968	$ 401,656	$ 375,413	$ 406,587

At December 31, 2002, $15,000,000 of short-term money market instruments, the proceeds of which were transferred in January, 2003, have been classified as investments.

During the year the following items were amortized to investment income.

(dollars in thousands)	2002	2001
Realized investment gains	$ 8,574	$ 14,539
Unrealized investment (losses) gains	(7,083)	1,097
	1,491	15,636
Premiums on fixed term investments	305	78
Total amortized to investment income	$ 1,796	$ 15,714

The Commission's asset mix policy for 2001 and 2002 is presented below:

Bonds — Canadian	35%
Equities — Canadian	35%
Equities — United States	15%
Equities — Europe, Asia and Far East (EAFE)	15%

6. Financial instruments

Market risk

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission does not use derivative financial instruments for trading purposes.

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97.5% (2001; 96.2%) have at least an A credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

Foreign exchange risk management

The Commission has certain investments denominated in foreign currencies. During 2002 and 2001, the Commission did not undertake hedging strategies for the currency risk of foreign investments. These fluctuations are not expected to affect the long-term position of the investment portfolio.

Interest rate risk management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

Remaining Term to Maturity

Book Value (dollars in thousands)	**Within 1 Year**	**Over 1 Year to 5 Years**	**Over 5 Years**	**Total 2002**	**Total 2001**
Fixed-Term investments	$ 6,133	$ 58,738	$ 86,295	**$ 151,166**	$ 144,779

7. Capital assets

(dollars in thousands)	2002			2001
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	**$ 11**	**$ -**	**$ 11**	$ 11
Building	**7,512**	**3,645**	**3,867**	4,101
Furniture and equipment	**2,565**	**1,711**	**854**	988
Computer equipment	**6,040**	**4,909**	**1,131**	915
Systems development	**9,387**	**5,768**	**3,619**	3,583
Equipment under capital lease	**1,113**	**867**	**246**	663
	$ 26,628	**$ 16,900**	**$ 9,728**	$ 10,261

Included in system development costs for 2002 is $1,149,800 (2001; nil) related to business improvement projects.

8. Benefit liabilities and claims costs

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2002.

An analysis of the components of, and changes in, benefit liabilities is as follows:

(dollars in thousands)	2002						2001
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehab	Total	Total
Balance, beginning of year	$ 60,241	$ 387,850	$ 52,583	$ 97,124	$ 4,119	**$ 601,917**	$ 559,204
Add:							
Claims costs incurred:							
Current year injuries	27,503	32,317	1,633	25,376	1,478	**88,307**	97,594
Prior years' injuries	4,499	31,238	4,257	8,122	309	**48,425**	44,771
	32,002	63,555	5,890	33,498	1,787	**136,732**	142,365
Deduct:							
Claims payments:							
Current year injuries	8,767	613	152	6,129	8	**15,669**	17,372
Prior years' injuries	20,455	33,243	6,427	23,604	2,005	**85,734**	87,563
	29,222	33,856	6,579	29,733	2,013	**101,403**	104,935
Balance before actuarial adjustments	63,021	417,549	51,894	100,889	3,893	**637,246**	596,634
Actuarial adjustments	(10,355)	(21,024)	2,924	11,517	517	**(16,421)**	5,283
Balance, end of year	$ 52,666	$ 396,525	$ 54,818	$ 112,406	$ 4,410	**$ 620,825**	$ 601,917

9. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities. The gross rate of return was reduced from 7.64% to 7.12% as at December 31, 2002 to reflect the current interest rate environment. The effect of this change was to increase the overall benefit liability by $11,327,000.

The table below lists the principal economic assumptions used:

	2002		2001	
	CPI-Indexed Awards	**Other Payments**	**CPI-Indexed Awards**	**Other Payments**
Gross rate of return	**7.12%**	**7.12%**	7.64%	7.64%
Inflation Year 1	**1.70%**	**3.50%**	3.00%	4.00%
Inflation ultimate rate	**3.50%**	**3.50%**	4.00%	4.00%
Net rate of return Year 1	**5.33%**	**3.50%**	4.50%	3.50%
Net rate of return ultimate rate	**3.50%**	**3.50%**	3.50%	3.50%

The ultimate rate is achieved in 2003 and later years.

10. Change in unfunded liability

(dollars in thousands)	2002	2001
Unfunded liability, beginning of year	**$ (200,002)**	$ (202,272)
Favourable revenue variance	**32,300**	3,900
Interest on unfunded liability	**(15,300)**	(11,300)
Investment income variance	**(15,600)**	5,200
Liability adjustments for prior years' claims	**16,400**	(5,300)
Transfer from reserves	**4,000**	10,000
Other	**(378)**	(230)
Unfunded liability, end of year	**$ (178,580)**	$ (200,002)

11. Reserves

A reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace has been provided by a two percent charge to annual assessment revenue. The reserve in 2001 was $5,000,000. During 2002, $27,000 was issued from this reserve and these funds have been replenished at December 31, 2002. Effective December 31, 2002, $4,000,000 was transferred from the Occupational Health and Safety Research reserve and applied to the unfunded liability, thereby reducing the reserve to $1,000,000. In 2001, the $10,000,000 Disaster Reserve was eliminated and applied to the unfunded liability.

12. Administration expenses

(dollars in thousands)	2002	2001
Salaries and employee benefits	**$ 15,974**	$ 14,106
Office and communications	**2,101**	1,979
Building operations	**536**	562
Travel and vehicle operating	**634**	613
Professional fees	**883**	992
	$ 20,128	$ 18,252

13. Related party transactions

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

14. Legislated obligations

The Commission is required by legislation to reimburse the provincial government for a portion of the operating costs of the Department of Labour in delivering on its occupational health and safety mandate, all of the costs of the Workplace Health, Safety and Compensation Review Division, and the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(dollars in thousands)	2002	2001
Department of Labour	**$ 3,888**	$ 3,578
Workplace Health, Safety and Compensation Review Division	**818**	651
Employer and Worker Advisors	**400**	400
	$ 5,106	$ 4,629

15. Other expenses

(dollars in thousands)	2002	2001
External training initiatives	**$ 1,867**	$ 894
Business improvement projects	**343**	-
Worksafe Program	**-**	(25)
Task Force on Workers' Compensation	**-**	252
	$ 2,210	$ 1,121

16. Industry levy

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled $312,000 in 2002 (2001; $347,000) and are not included in the Statement of Operations.

17. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administrative costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

(dollars in thousands)	2002	2001
Assessments revenue	**$ 6,985**	$ 6,631
Claims costs incurred:		
Short-term disability	**665**	743
Long-term disability	**2,535**	2,624
Survivor benefits	**463**	571
Health care	**2,265**	1,740
Rehabilitation	**65**	47
Administration charges	**992**	906
	$ 6,985	$ 6,631

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

18. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of $854,000 (2001; $695,000) for pensions are recognized in the accounts on a current basis.

19. Commitments

The Commission has committed to the following lease payments for office premises and equipment as follows:

(dollars in thousands)	Capital	Operating	Total
2003	$ 246	$ 142	$ 388
2004	36	146	182
2005	-	146	146
2006	-	83	83

20. Contingencies

(a) The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

(b) The legislative amendments to *the Act* on May 24, 2001 provided for payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985. In July, 2001, three complaints were filed against the Commission and the Department of Labour to the Human Rights Commission for alleged discrimination on the basis of marital status. These complaints were reviewed during a hearing of the Human Rights Commission in February, 2003. Retroactive reinstatement of benefits to all survivors who remarried has the potential to increase the Commission's benefits liabilities by approximately $6,600,000. The Human Rights Commission adjudicator has yet to render a decision and consequently, the outcome of this matter is presently undeterminable.

21. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

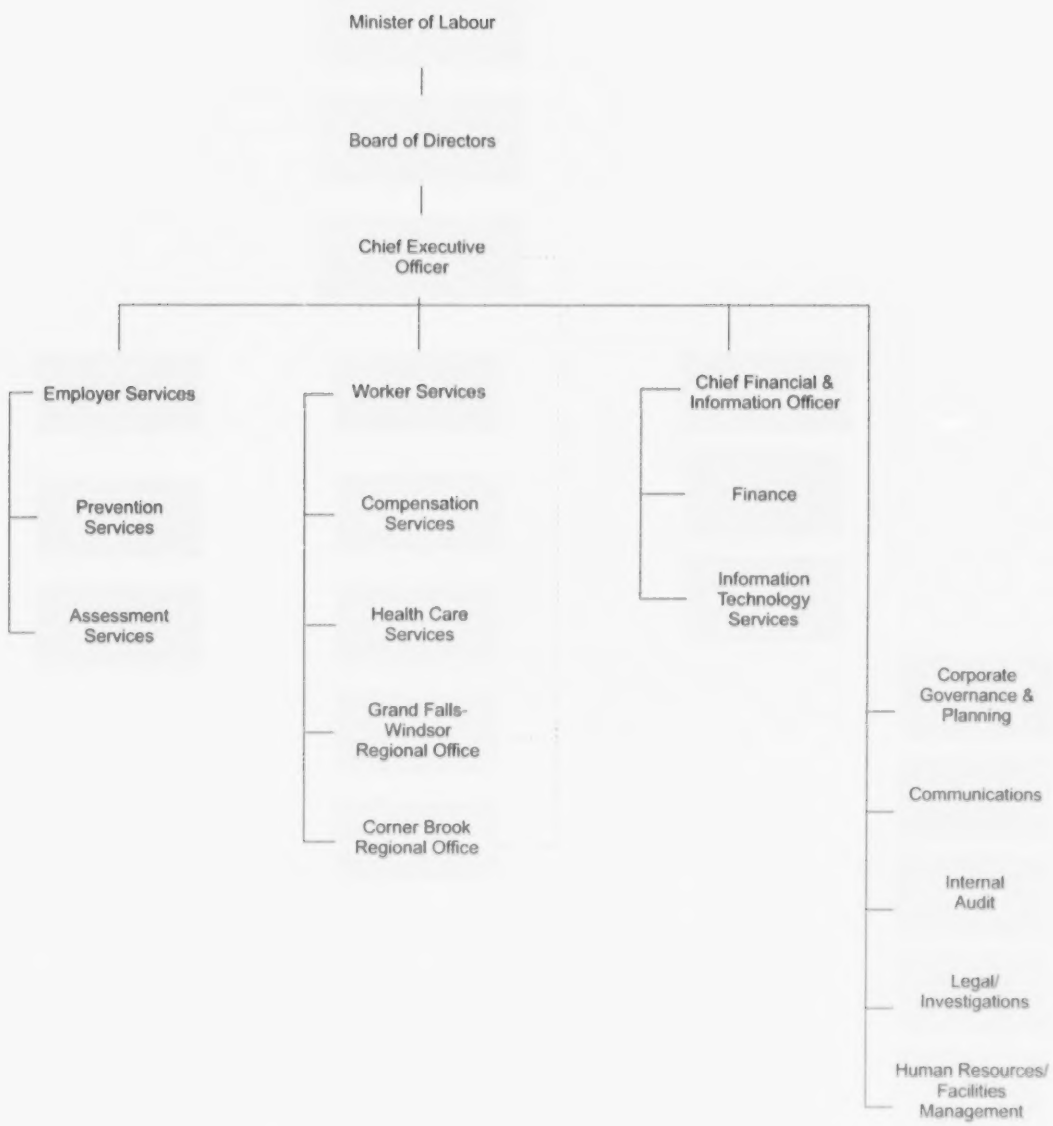
Five-Year History

Statement of Operations and Unfunded Liability for the Year Ending December 31

(dollars in thousands)	2002	2001	2000	1999	1998
Revenue					
Assessments	**$ 155,835**	$ 137,445	$ 134,411	$ 117,004	$ 108,152
Investment income	**12,049**	29,226	32,018	27,990	26,760
	167,884	166,671	166,429	144,994	134,912
Expenses					
Claims costs incurred	**136,732**	142,365	144,809	131,896	98,165
Administration	**20,128**	18,252	15,710	15,436	13,112
Legislated obligations	**5,106**	4,629	4,515	4,327	3,864
Amortization	**2,680**	2,724	2,432	2,410	2,029
Other	**2,210**	1,121	213	-	230
	166,856	169,091	167,679	154,069	117,400
Surplus (deficiency) from operations before the following	**1,028**	(2,420)	(1,250)	(9,075)	17,512
Actuarial adjustments	**16,421**	(5,283)	(20,902)	(59,367)	(19,186)
Legislative changes	**-**	-	-	-	(17,367)
	16,421	(5,283)	(20,902)	(59,367)	(36,553)
Surplus (deficiency) for the year	**17,449**	(7,703)	(22,152)	(68,442)	(19,041)
Unfunded liability, beginning of year	**(200,002)**	(202,272)	(179,884)	(111,100)	(91,667)
Appropriation to (from) reserve funds	**3,973**	9,973	(236)	(342)	(392)
Unfunded liability, end of year	**$ (178,580)**	$ (200,002)	$ (202,272)	$ (179,884)	$ (111,100)
Funded ratio	**71.7%**	67.5%	65.2%	65.5%	74.1%

Workplace Health, Safety & Compensation Commission

Organizational Chart



Year at a Glance

	2002	2001	2000
Incidence Rate[1]	**2.7**	2.9	3.2
Short-Term Disability (STD) Total Claims[2]	**5,499**	6,132	6,541
Soft-Tissue Injuries as % of STD Claims	**56%**	61%	66%
Health Care Only Claims[2]	**4,486**	5,032	6,306
Accepted Fatality Claims[3]	**23**	26	38
Accident Resulting in Fatality	**10**	14	21
Industrial Disease	**13**	12	17
Average Short-Term Claims Duration (days)	**107**	116[4]	133
Average Assessment Rate[5]	**$3.24**	$3.24	$3.24
Required Assessment Rate[5]	**$3.45**	$3.98	$4.00
Registered Employer Accounts	**14,815**	14,741	14,490
Employer Assessments ($ million)	**$155.8**	$137.4	$134.4
Claims Costs ($ million)	**$120.3**	$147.6	$165.7
Unfunded Liability ($ million)	**$178.6**	$200.0	$202.3
Funded Ratio	**71.7%**	67.5%	65.2%

1. Number of lost-time claims per 100 workers employed.
2. The number of new claims reported and accepted for payment up to March 31 of the following calendar year. Health care only claims do not involve lost-time from work.
3. Accepted Fatality Claims are the number of fatalities that were accepted for payment in 2002.
4. Average duration reported in the 2001 Annual Report was 118 days. This number has been adjusted to 116 days in accordance with the new national standard for calculating duration.
5. Rate is average amount charged per $100 of payroll. The average assessment rate at $3.24, held despite costs for 2002 requiring a $3.45 rate.

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